

**TOWN OF PEARL RIVER,  
LOUISIANA**

**Audit of Financial Statements**

**December 31, 2011**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **AUG 08 2012**

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## **Independent Auditor's Report**

To the Honorable Mayor and Members  
of the Board of Aldermen  
Town of Pearl River, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Pearl River, Louisiana (the Town), as of and for the year ended December 31, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Pearl River, Louisiana, as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2012, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

**NEW ORLEANS HOUSTON BATON ROUGE COVINGTON**

An Independently Owned Member, McGladrey Alliance

The McGladrey Alliance is a premier affiliation of independent accounting and consulting firms. The McGladrey Alliance member firms maintain their name, autonomy and independence and are responsible for their own client fee arrangements, delivery of services and maintenance of client relationships.

Management has elected not to present the management's discussion and analysis information that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be a part of, the basic financial statements. Our opinions on the basic financial statements are not affected by this missing information.

*Accounting principles generally accepted in the United States of America* require that the budgetary comparison schedules on pages 32 through 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Pearl River, Louisiana's financial statements as a whole. The accompanying other supplemental information listed in the table of contents identified as Schedule 4 and Schedule 5, is presented for purposes of additional analysis and is not a required part of the financial statements. The other supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



A Professional Accounting Corporation

June 18, 2012

**BASIC FINANCIAL STATEMENTS  
GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**TOWN OF PEARL RIVER, LOUISIANA**  
**Statement of Net Assets**  
**December 31, 2011**

**Statement A**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 405,878	\$ 621,773	\$ 1,027,651
Receivables			
Water and Sewer, Net	-	38,574	38,574
Ad Valorem Taxes, Net	144,900	-	144,900
Sales Taxes	87,122	10,890	98,012
Other	50,954	-	50,954
Internal Balances	275,475	(275,475)	-
Restricted			
Cash and Cash Equivalents	-	308,513	308,513
Bond Issuance Cost, Net of Amortization	-	6,310	6,310
Capital Assets, Net	1,013,502	4,273,516	5,287,018
<b>Total Assets</b>	<b>1,977,831</b>	<b>4,984,101</b>	<b>6,961,932</b>
<b>Liabilities</b>			
Accounts Payable	103,737	18,362	122,099
Deferred Revenue	-	35,068	35,068
Accrued Payroll	38,739	2,220	40,959
Payable from Restricted Assets			
Accrued Interest Payable	-	5,548	5,548
Revenue Bonds and Certificates - Due Within One Year	-	126,924	126,924
Revenue Bonds and Certificates - Due in More than One Year	-	173,285	173,285
<b>Total Liabilities</b>	<b>142,476</b>	<b>361,407</b>	<b>503,883</b>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	1,013,502	4,100,231	5,113,733
Restricted for Bonds and Certificates of Indebtedness	-	176,041	176,041
Unrestricted	821,853	346,422	1,168,275
<b>Total Net Assets</b>	<b>\$ 1,835,355</b>	<b>\$ 4,622,694</b>	<b>\$ 6,458,049</b>

The accompanying notes are an integral part of these financial statements.

**TOWN OF PEARL RIVER, LOUISIANA**  
**Statement of Activities**  
**For the Year Ended December 31, 2011**

**Statement B**

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
<b>Governmental Activities</b>							
General Government	\$ 575,883	\$ -	\$ -	\$ -	\$ (575,883)	\$ -	\$ (575,883)
Public Safety	818,223	-	71,814	-	(746,409)	-	(746,409)
Public Works	582,603	-	-	148,962	(433,641)	-	(433,641)
Recreation	56,356	-	-	-	(56,356)	-	(56,356)
<b>Total Governmental Activities</b>	<b>2,033,065</b>	<b>-</b>	<b>71,814</b>	<b>148,962</b>	<b>(1,812,289)</b>	<b>-</b>	<b>(1,812,289)</b>
<b>Business-Type Activities</b>							
Utilities	856,465	443,016	-	19,600	-	(193,849)	(193,849)
Interest on Debt	3,578	-	-	-	-	(3,576)	(3,576)
<b>Total Business-Type Activities</b>	<b>660,041</b>	<b>443,016</b>	<b>-</b>	<b>19,600</b>	<b>-</b>	<b>(197,425)</b>	<b>(197,425)</b>
<b>Total</b>	<b>\$2,693,106</b>	<b>\$ 443,016</b>	<b>\$ 71,814</b>	<b>\$ 168,562</b>	<b>(1,812,289)</b>	<b>(197,425)</b>	<b>(2,009,714)</b>
<b>General Revenues</b>							
Taxes							
Ad Valorem Taxes					125,521	-	125,521
Sales Taxes					997,680	124,715	1,122,395
Franchise Taxes					163,775	-	163,775
Licenses and Permits					118,963	-	118,963
Insurance Licenses					120,350	-	120,350
Fines and Forfeitures					330,202	-	330,202
Investment Earnings					568	487	1,055
Other General Revenues					10,627	-	10,627
<b>Special Item - Gain on Disposition of Capital Assets</b>					5,862	-	5,862
<b>Transfers</b>					55,715	(55,715)	-
<b>Total General Revenues and Transfers</b>					<b>1,929,263</b>	<b>69,487</b>	<b>1,998,750</b>
<b>Changes in Net Assets</b>					<b>116,974</b>	<b>(127,938)</b>	<b>(10,964)</b>
<b>Net Assets, Beginning of Year</b>					<b>1,718,381</b>	<b>4,750,632</b>	<b>6,469,013</b>
<b>Net Assets, End of Year</b>					<b>\$ 1,835,355</b>	<b>\$ 4,622,694</b>	<b>\$6,458,049</b>

The accompanying notes are an integral part of these financial statements.



**BASIC FINANCIAL STATEMENTS  
FUND FINANCIAL STATEMENTS**

**TOWN OF PEARL RIVER, LOUISIANA**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2011**

**Statement C**

	<b>General Fund</b>	<b>Special Revenue Funds</b>		<b>Total Governmental Funds</b>
		<b>Police</b>	<b>Street</b>	
<b>Assets</b>				
Cash and Cash Equivalents	\$ 79,109	\$ 82,669	\$ 244,100	\$ 405,878
Receivables, Net				
Ad Valorem Taxes	86,283	-	58,617	144,900
Sales Taxes	-	43,561	43,561	87,122
Other Receivables	50,954	-	-	50,954
Due from Other Funds	173,826	-	281,097	454,923
<b>Total Assets</b>	<b>\$ 390,172</b>	<b>\$ 126,230</b>	<b>\$ 627,375</b>	<b>\$ 1,143,777</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 64,574	\$ 7,047	\$ 32,116	\$ 103,737
Accrued Payroll	8,524	24,772	5,443	38,739
Due to Other Funds	110,005	69,023	420	179,448
<b>Total Liabilities</b>	<b>183,103</b>	<b>100,842</b>	<b>37,979</b>	<b>321,924</b>
<b>Fund Balances</b>				
Restricted	-	25,388	589,396	614,784
Unassigned	207,069	-	-	207,069
<b>Total Fund Balances</b>	<b>207,069</b>	<b>25,388</b>	<b>589,396</b>	<b>821,853</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 390,172</b>	<b>\$ 126,230</b>	<b>\$ 627,375</b>	<b>\$ 1,143,777</b>

The accompanying notes are an integral part of these financial statements.

**TOWN OF PEARL RIVER, LOUISIANA**  
**Reconciliation of the Governmental Funds Balance**  
**Sheet to the Statement of Net Assets**  
**December 31, 2011**

**Statement D**

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<b>Fund Balances - Total Governmental Funds</b>	<b>\$ 821,853</b>
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Amounts reported for governmental activities in the Statement of Net Assets  
are different because:

Capital assets used in governmental activities are not financial resources  
and, therefore, are not reported in the governmental funds.

Governmental Capital Assets	2,016,997
Less: Accumulated Depreciation	<u>(1,003,495)</u>
<b>Net Assets of Governmental Activities</b>	<b><u>\$ 1,835,355</u></b>

The accompanying notes are an integral part of these financial statements.

**TOWN OF PEARL RIVER, LOUISIANA**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2011**

**Statement E**

	General Fund	Special Revenue Funds		Total Governmental Funds
		Police	Street	
<b>Revenues</b>				
Taxes				
Ad Valorem Taxes	\$ 75,702	\$ -	\$ 49,819	\$ 125,521
Sales Taxes	-	498,840	498,840	997,680
Franchise Taxes	163,775	-	-	163,775
Grants and Reimbursements	-	71,814	148,962	220,776
Licenses and Permits	118,963	-	-	118,963
Insurance Licenses	120,350	-	-	120,350
Fines and Forfeitures	330,202	-	-	330,202
Interest Income	301	16	251	568
Other Revenues	3,257	-	17,178	20,435
<b>Total Revenues</b>	<b>812,550</b>	<b>570,670</b>	<b>715,050</b>	<b>2,098,270</b>
<b>Expenditures</b>				
Current				
General Government	546,241	-	-	546,241
Public Safety	-	790,422	-	790,422
Public Works	-	-	523,986	523,986
Recreation	42,630	-	-	42,630
<b>Total Expenditures</b>	<b>588,871</b>	<b>790,422</b>	<b>523,986</b>	<b>1,903,279</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>223,679</b>	<b>(219,752)</b>	<b>191,064</b>	<b>194,991</b>
<b>Other Financing Sources (Uses)</b>				
Transfers In	53,241	234,402	7,528	295,171
Transfers Out	(203,873)	-	(35,583)	(239,456)
<b>Total Other Financing Sources (Uses)</b>	<b>(150,632)</b>	<b>234,402</b>	<b>(28,055)</b>	<b>55,715</b>
<b>Net Change in Fund Balances</b>	<b>73,047</b>	<b>14,650</b>	<b>163,009</b>	<b>250,706</b>
<b>Fund Balances, Beginning of Year</b>	<b>134,022</b>	<b>10,738</b>	<b>426,387</b>	<b>571,147</b>
<b>Fund Balances, End of Year</b>	<b>\$ 207,069</b>	<b>\$ 25,388</b>	<b>\$ 589,396</b>	<b>\$ 821,853</b>

The accompanying notes are an integral part of these financial statements.

**TOWN OF PEARL RIVER, LOUISIANA**  
**Reconciliation of the Governmental Funds Statement of**  
**Revenues, Expenditures and Changes in Fund Balances**  
**to the Statement of Activities**  
**For the Year Ended December 31, 2011**

**Statement F**

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 250,706</b>
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Amounts reported for governmental activities in the Statement of Activities  
are different because:

Governmental funds report capital outlays as expenditures; however, in the  
Statement of Activities, the cost of those assets is allocated over their  
estimated useful lives through depreciation expense. This is the amount by  
which depreciation exceeded capital outlays charged in the current period. (129,785)

The net effect of various miscellaneous transactions involving capital assets  
is to decrease net assets. (3,947)

<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ 116,974</u></b>
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The accompanying notes are an integral part of these financial statements.

**TOWN OF PEARL RIVER, LOUISIANA**  
**Statement of Net Assets**  
**Proprietary Fund**  
**December 31, 2011**

**Statement G**

**Assets**

**Current Assets**

Cash and Cash Equivalents	\$ 621,773
Receivables	
Water and Sewer, Net of Allowance of \$4,000	38,574
Sales Tax	10,890
<b>Total Current Assets</b>	<b>671,237</b>

**Non-Current Assets**

**Restricted Assets**

Cash and Cash Equivalents	308,513
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**Capital Assets, Net of Accumulated Depreciation**

4,273,516

**Other Assets**

Bond Issuance Cost, Net of Amortization	6,310
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**Total Non-Current Assets**

4,588,339

**Total Assets**

5,259,576

**Liabilities**

**Current Liabilities**

Accounts Payable	18,362
Due to Other Funds	275,475
Accrued Salaries	2,220
Deferred Revenue	35,068
Payable from Restricted Assets	
Accrued Interest Payable	5,548
Revenue Bonds and Certificates of Indebtedness	126,924
<b>Total Current Liabilities</b>	<b>463,597</b>

**Non-Current Liabilities**

Revenue Bonds and Certificates of Indebtedness Payable	173,285
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**Total Liabilities**

636,882

**Net Assets**

Invested in Capital Assets, Net of Related Debt	4,100,231
Restricted for Bonds and Certificates of Indebtedness	176,041
Unrestricted Net Assets	346,422
<b>Total Net Assets</b>	<b>\$ 4,622,694</b>

The accompanying notes are an integral part of these financial statements.

**TOWN OF PEARL RIVER, LOUISIANA**  
**Statement of Revenues, Expenses and Change in Net Assets**  
**Proprietary Fund**  
**For the Year Ended December 31, 2011**

**Statement H**

<b>Operating Revenues</b>	
Service Fees	\$ 418,820
Other	8,025
Delinquent Fees	9,939
Installation Fees	5,832
Meter Fees	400
<b>Total Operating Revenues</b>	<u>443,016</u>
<b>Operating Expenses</b>	
Depreciation	303,854
Sewer System	198,742
Water System	88,198
Administrative and General	64,024
Amortization of Bond Issuance Cost	1,647
<b>Total Operating Expenses</b>	<u>656,465</u>
<b>Operating Loss</b>	<u>(213,449)</u>
<b>Non-Operating Revenues (Expenses)</b>	
Sales Tax Revenue	124,715
Capital Grants	19,600
Interest Income	487
Interest on Debt	(3,576)
<b>Total Non-Operating Revenues (Expenses)</b>	<u>141,226</u>
<b>Net Loss Before Transfers</b>	<u>(72,223)</u>
<b>Operating Transfers</b>	<u>(55,715)</u>
<b>Change in Net Assets</b>	<u>(127,938)</u>
<b>Net Assets, Beginning of Year</b>	<u>4,750,632</u>
<b>Net Assets, End of Year</b>	<u>\$ 4,622,694</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF PEARL RIVER, LOUISIANA**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**For the Year Ended December 31, 2011**

**Statement I**

<b>Cash Flows from Operating Activities</b>	
Receipts from Customers and Users	\$ 443,629
Payments to Suppliers	(283,421)
Payments to Employees and for Benefits	<u>(126,367)</u>
<b>Net Cash Provided by Operating Activities</b>	<u>33,841</u>
<b>Cash Flows from Non-Capital Financing Activities</b>	
Interfund Transfers and Borrowing	<u>(40,496)</u>
<b>Net Cash Used in Non-Capital Financing Activities</b>	<u>(40,496)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Purchase and Construction of Capital Assets	(69,453)
Capital Grants Received	36,419
Sales Tax Receipts	123,165
Principal Paid on Capital Debt	(122,230)
Interest Paid on Capital Debt	<u>(16,212)</u>
<b>Net Cash Used in Capital and Related Financing Activities</b>	<u>(48,311)</u>
<b>Cash Flows from Investing Activities</b>	
Interest Received	<u>487</u>
<b>Net Cash Provided by Investing Activities</b>	<u>487</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	(54,479)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>984,765</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 930,286</u>
<b>Cash and Cash Equivalents Reconciliation</b>	
Unrestricted Cash and Cash Equivalents	\$ 621,773
Restricted Cash and Cash Equivalents	<u>308,513</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 930,286</u>

The accompanying notes are an integral part of these financial statements.



**TOWN OF PEARL RIVER, LOUISIANA**  
**Statement of Cash Flows (Continued)**  
**Proprietary Fund**  
**For the Year Ended December 31, 2011**

**Statement I**

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<b>Reconciliation of Operating Loss to Net Cash</b>	
<b>Provided by Operating Activities</b>	
Operating Loss	\$ (213,449)
Adjustments to Reconcile Operating Loss to Net Cash	
Provided by Operating Activities	
Depreciation	303,854
Amortization of Bond Issuance Cost	1,647
Changes in Assets and Liabilities	
Decrease in Receivables	1,964
Increase in Accrued Payroll	2,220
Decrease in Deferred Revenue	(1,351)
Decrease in Accounts Payable and Accrued Payroll	<u>(61,044)</u>
<b>Net Cash Provided by Operating Activities</b>	<b><u>\$ 33,841</u></b>

The accompanying notes are an integral part of these financial statements.

## **NOTES TO FINANCIAL STATEMENTS**

## **TOWN OF PEARL RIVER, LOUISIANA**

### **Notes to Financial Statements**

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#### **Introduction**

Town of Pearl River, Louisiana (the Town), was incorporated in 1906, under the provisions of the Lawrason Act, LRS 33:321. The Town operates under a Mayor-Board of Aldermen form of government. The Town provides police protection, maintenance of streets, and water and sewer services.

The accounting and reporting policies of the Town conform to generally accepted accounting principles as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Such accounting and reporting procedures also conform to the requirements of the Louisiana Revised Statutes and to the guides set forth in the *Louisiana Governmental Audit Guide*, and to the industry audit guide, *Audits of State and Local Governmental Units*.

#### **Note 1. Summary of Significant Accounting Policies**

##### **Reporting Entity**

Section 2100 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards* (GASB Codification) established criteria for determining the governmental reporting entity and component units that should be included with the reporting entity. For financial reporting purposes, in conformance with GASB Codification Section 2100, the Town includes all funds that are controlled by or dependent on the Town, which was determined on the basis of oversight responsibility, including accountability for fiscal and budget matters, designation and management or governing authority, and authority to issue debt. Based on these criteria, the Town has determined that there are no component units that are part of the reporting entity.

##### **Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and the Town's proprietary funds. All individual governmental funds are reported as separate columns in the fund financial statements.

## TOWN OF PEARL RIVER, LOUISIANA

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

##### **Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Sales taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and, so, have been recognized as revenues of the current fiscal period. Ad valorem taxes are considered to be susceptible to accrual when levied. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The Town reports the following major governmental funds:

**General Fund** - The General Fund is the general operating fund of the Town. This fund is used to account for all financial transactions and resources except those that are required to be accounted for in another fund. Revenues are derived primarily from transfers from the special revenue funds, licenses and permits, local taxes, fines and forfeitures, charges for service, and interest income.

**Special Revenue Funds** - The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than capital projects) that are legally restricted to expenditures for specific purposes. The Town's two special revenue funds account for the activities of its police and street departments. Revenues for these funds derive from the following sales taxes:

1% of levy dedicated for constructing, re-surfacing, lighting and improving public streets, sidewalks and bridges; constructing, purchasing, improving, maintaining and operating recreation facilities and equipment; constructing, acquiring or improving land, buildings and any work of permanent public improvement, including equipment and furnishings thereof; and installing and operating sewer and water systems including disposal plants, lagoons, etc., title to which shall be in the public.

## TOWN OF PEARL RIVER, LOUISIANA

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

##### Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

###### **Special Revenue Funds (Continued)**

1% of levy dedicated to maintenance and operation of the police department including acquisition of vehicles and equipment. On October 22, 2011, this sales tax was renewed for another 25 years.

¼% of levy dedicated for the purpose of all sewer maintenance and operations. This portion is deposited in the Utility Fund where sewer operations are accounted for.

The Street Fund is also funded by an ad valorem tax passed on July 21, 2002, for ten years at an adjusted rate of 4.17 mills dedicated to improving and maintaining streets.

###### **Proprietary Fund**

The Town also reports a proprietary fund which is used to account for the water and sewer services it provides to the residents and businesses of the Town.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in-lieu-of taxes and other charges between the government's enterprise operations. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Principal operating revenues for the Town's proprietary funds consist of charges to customers and users of its water and sewer services. Operating expenses for the Town's proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

## **TOWN OF PEARL RIVER, LOUISIANA**

### **Notes to Financial Statements**

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#### **Note 1. Summary of Significant Accounting Policies (Continued)**

##### **Budgets and Budgetary Accounting**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted for all government funds. All annual appropriations lapse at fiscal year-end. The Town does not utilize encumbrance accounting. All proposed budgets must be completed and submitted to the Town Council no later than fifteen days prior to the beginning of each fiscal year. The operating budget includes proposed expenditures and the means of financing them. The final budget must be adopted before the ensuing fiscal year begins.

The Town adopted a budget on a basis consistent with generally accepted accounting principles for the following funds: General Fund and each Special Revenue Fund. At the end of the fiscal year, unexpended appropriations of these funds automatically lapse. The Town follows these procedures in establishing the budgetary data reflected in this statement:

- (1) The Mayor, Board of Aldermen, Town Clerk, and other advisory personnel assemble the necessary financial information. The Mayor submits the information for review to the Board of Aldermen at least 45 days prior to January 1<sup>st</sup> of the following year.
- (2) A public hearing is conducted to obtain taxpayer comments.
- (3) Prior to the beginning of the new fiscal year, the budget is legally enacted through passage of a resolution by the Board of Aldermen.
- (4) The Mayor is authorized to transfer budgeted amounts among programs within a department, office or agency; however, any revisions that alter the total revenues and/or expenditures budgeted for any department, office, agency or fund must be approved by the Board of Aldermen.

##### **Deposits and Investments**

Cash includes amounts in demand deposits.

Under state law, the Town may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. The Town may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. The Town was in compliance with the deposits and investment laws and regulations.

Cash and cash equivalents consist of cash, as defined above, including restricted cash.

## **TOWN OF PEARL RIVER, LOUISIANA**

### **Notes to Financial Statements**

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#### **Note 1. Summary of Significant Accounting Policies (Continued)**

##### **Deposits and Investments (Continued)**

Short-term investments are stated at amortized cost, which approximates market. Certain investments, as required by GASB Statement No. 31, are reported at fair value, which is determined using published market prices.

##### **Accounts Receivable**

Outstanding balances between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/due from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Uncollectible amounts due for customers' utility receivables and ad valorem taxes are recognized as bad debts through the establishment of an allowance account at the time information becomes available, which would indicate the uncollectability of the particular receivable. The allowance was \$4,000 for utility receivables and \$25,570 for ad valorem taxes receivable at December 31, 2011.

##### **Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical costs are not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Town maintains a threshold level of \$2,500 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets' lives are not capitalized.

Capital outlays are recorded as expenditures in the governmental fund financial statements, and they are recorded as assets in the government-wide financial statements to the extent the Town's capitalization threshold is met. In accordance with GASB Statement No. 34, the Town is a Phase III government and, as such, is not required to capitalize its infrastructure retroactively. The Town has elected to record its infrastructure on a prospective basis. The Town has capitalized its water and sewer infrastructure. The Town capitalizes interest on construction in its proprietary funds. Capital outlays of the proprietary funds are recorded as fixed assets and depreciated over their estimated useful lives on a straight-line basis on both the funds basis and the government-wide basis.

## TOWN OF PEARL RIVER, LOUISIANA

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

##### Capital Assets (Continued)

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

Description	Estimated Useful Lives
Infrastructure	40 Years
Buildings and Improvements	15 - 40 Years
Water and Sewer System	30 Years
Furniture and Fixtures	7 Years
Vehicles	5 Years
Machinery and Equipment	5 - 15 Years

##### Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

##### Fund Equity

###### *Government-Wide and Proprietary Fund Statements*

Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt - Consist of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."
3. Restricted net assets - Net assets with constraints placed on their use either by:
  - a. External groups, such as creditors, grantors, contributors, or laws or regulations of other governments, or
  - b. Law through constitutional provisions or enabling legislation.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Town's policy is to apply restricted net assets first.



## TOWN OF PEARL RIVER, LOUISIANA

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

##### Fund Equity (Continued)

###### *Governmental Fund Statements*

Governmental Fund Statements - During the fiscal year ended December 31, 2011, the Town adopted GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which significantly changed the reporting of fund balances in the balance sheets of governmental funds.

In the governmental fund financial statements, fund balances are classified as follows:

1. Restricted Fund Balance - amounts that are restricted to specific purposes imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments.
2. Unassigned Fund Balance - all amounts not included in other spendable classifications.

##### Interfund Transactions

Permanent re-allocation of resources between funds of the Town is classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

##### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

##### Compliance with Debt Covenants

As of December 31, 2011, the Town was in compliance with all Sewer Revenue Bond and Certificates of Indebtedness Covenants.

#### Note 2. Cash and Cash Equivalents

At December 31, 2011, cash and cash equivalents were as follows:

	Carrying Amount	Bank Balance
Demand Deposits	<u>\$1,336,164</u>	<u>\$1,403,264</u>

## TOWN OF PEARL RIVER, LOUISIANA

### Notes to Financial Statements

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#### Note 2. Cash and Cash Equivalents (Continued)

##### **Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of December 31, 2011, \$1,153,264 of the Town's bank balance of \$1,403,264 was exposed to custodial credit risk. However, these deposits are secured from risk by the pledge of securities owned by the fiscal agent bank. These securities are being held in the name of the pledging fiscal agent bank in a custodial bank that is mutually acceptable to the Town and the fiscal agent bank.

Under state law, deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities, plus the federal deposit insurance, must at all times equal the amount on deposit with the fiscal agent. The custodial bank must advertise and sell the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds upon demand.

#### Note 3. Receivables

Net receivables of governmental funds at December 31, 2011, were as follows:

	<b>General Fund</b>	<b>Police Fund</b>	<b>Street Fund</b>	<b>Total</b>
Ad Valorem Taxes	\$ 86,283	\$ -	\$ 58,617	\$144,900
Sales Taxes	-	43,561	43,561	87,122
Other Receivables	50,954	-	-	50,954
<b>Total</b>	<b>\$137,237</b>	<b>\$ 43,561</b>	<b>\$102,178</b>	<b>\$282,976</b>

Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

#### Note 4. Ad Valorem Taxes

Property taxes are normally levied and billed in December of each year and are delinquent on January 1<sup>st</sup> of the following year. Revenues are recognized when levied to the extent they are determined to be currently collectible. The Town bills and collects its own property taxes using the assessed values determined by the tax assessor of St. Tammany Parish. For the year ended December 31, 2011, property taxes levied were 5.83 mills for general purposes and 4.17 mills for street improvement.

# TOWN OF PEARL RIVER, LOUISIANA

## Notes to Financial Statements

### Note 5. Capital Assets

The following is a summary of the changes in capital assets for the year ended December 31, 2011:

Governmental Activities	Balance January 1, 2011	Increases	Decreases	Balance December 31, 2011
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 104,377	\$ -	\$ -	\$ 104,377
<b>Capital Assets Being Depreciated</b>				
Infrastructure	578,812	-	-	578,812
Buildings and Improvements	354,035	-	-	354,035
Machinery and Equipment	671,357	-	(33,912)	637,445
Furniture, Fixtures and Office Equipment	46,736	-	-	46,736
Vehicles	324,307	-	(28,715)	295,592
<b>Total Capital Assets Being Depreciated</b>	<b>1,975,247</b>	<b>-</b>	<b>(62,627)</b>	<b>1,912,620</b>
<b>Less Accumulated Depreciation for:</b>				
Infrastructure	(85,527)	(23,251)	-	(108,778)
Buildings and Improvements	(193,968)	(6,201)	-	(200,169)
Machinery and Equipment	(462,469)	(44,501)	33,912	(473,058)
Furniture, Fixtures and Office Equipment	(48,165)	(6,677)	-	(54,842)
Vehicles	(142,261)	(49,155)	24,768	(166,648)
<b>Total Accumulated Depreciation</b>	<b>(932,390)</b>	<b>(129,785)</b>	<b>58,680</b>	<b>(1,003,495)</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>1,042,857</b>	<b>(129,785)</b>	<b>(3,947)</b>	<b>909,125</b>
<b>Capital Assets, Net</b>	<b>\$ 1,147,234</b>	<b>\$ (129,785)</b>	<b>\$ (3,947)</b>	<b>\$ 1,013,502</b>

Depreciation was charged to governmental functions as follows:

General Government	\$ 35,504
Public Works	58,617
Public Safety	21,938
Recreation	13,726
<b>Total</b>	<b>\$ 129,785</b>

# TOWN OF PEARL RIVER, LOUISIANA

## Notes to Financial Statements

### Note 5. Capital Assets (Continued)

<b>Business-Type Activities</b>	<b>Balance January 1, 2011</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31, 2011</b>
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 68,609	\$ -	\$ -	\$ 68,609
<b>Capital Assets Being Depreciated</b>				
Water System and Equipment	3,696,563	44,473	-	3,741,036
Sewer System and Equipment	4,580,532	-	-	4,580,532
Machinery and Equipment	187,958	24,980	-	212,938
<b>Total Capital Assets Being Depreciated</b>	<b>8,465,053</b>	<b>69,453</b>	<b>-</b>	<b>8,534,506</b>
<b>Less Accumulated Depreciation for:</b>				
Water System and Equipment	(1,022,966)	(186,619)	-	(1,209,585)
Sewer System and Equipment	(2,814,475)	(102,645)	-	(2,917,120)
Machinery and Equipment	(188,304)	(14,590)	-	(202,894)
<b>Total Accumulated Depreciation</b>	<b>(4,025,745)</b>	<b>(303,854)</b>	<b>-</b>	<b>(4,329,599)</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>4,439,308</b>	<b>(234,401)</b>	<b>-</b>	<b>4,204,907</b>
<b>Capital Assets, Net</b>	<b>\$4,507,917</b>	<b>\$(234,401)</b>	<b>\$ -</b>	<b>\$ 4,273,516</b>

## **TOWN OF PEARL RIVER, LOUISIANA**

### **Notes to Financial Statements**

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#### **Note 6. Restricted Assets**

On October 1, 1998, the Town issued \$1,050,000 of Utility Revenue and Refunding Bonds, which were used to refund the remaining balance payable of the 1989 Utility Revenue Bonds, as well as provide funds for additional improvements to the water system. The restrictions related to the 1989 Bonds have been replaced with the following requirements providing for certain restrictions of assets of the proprietary fund:

1. Revenue Bond Sinking Fund

The requirement calls for the establishment and maintenance of a Sewer Utility Revenue Bond and Sinking Fund sufficient to pay promptly and in full the principal of and the interest on bonds authorized as they become due and payable. This requirement has been met at December 31, 2011.

2. Revenue Bond Reserve Fund

On October 1, 1998, the Town deposited the "Reserve Requirement" into the Reserve Fund. The sole purpose of this fund is to pay the principal of and the interest on the bonds payable from the Revenue Bond Reserve Fund as to which these would otherwise be in default. This requirement has been met at December 31, 2011.

3. Depreciation and Contingency Fund

The resolution called for the establishment and maintenance of a Depreciation and Contingency Fund to care for depreciation, extensions, additions, improvements and replacements necessary to properly operate the water system. Regular deposits of \$400 per month are to be deposited with the regularly designated fiscal agent of the Town. This requirement has been met at December 31, 2011.

#### **Note 7. Deferred Compensation**

Certain employees of the Town participate in the Louisiana Public Employees' Deferred Compensation Plan (the Plan) adopted under the provisions of the Internal Revenue Code Section 457. Complete disclosures relating to the Plan are included in the separately issued audit report for the Plan, available from the Louisiana Legislative Auditor, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397.

## TOWN OF PEARL RIVER, LOUISIANA

### Notes to Financial Statements

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#### Note 8. Long-Term Liabilities

The following is a summary of long-term debt transactions of the Town for the year ended December 31, 2011:

	Revenue		Total
	Utility Bonds	Certificate of Indebtedness	
Bonds and Certificates at January 1, 2011	\$ 266,461	\$ 155,978	\$ 422,439
Additions	-	-	-
Bond and Certificate Payments	(85,411)	(36,819)	(122,230)
Bonds and Certificates at December 31, 2011	\$ 181,050	\$ 119,159	\$ 300,209
Amount Due Within One Year	\$ 88,691	\$ 38,233	\$ 126,924

The following is a summary of long-term liabilities of the Town for the year ended December 31, 2011:

\$1,050,000 Utility Bonds dated January 1, 1998,  
due in annual installments of \$95,633, with interest  
of 3.84% per annum through October 1, 2013,  
secured by the revenues of the proprietary fund. \$ 181,050

\$350,000 Certificate of Indebtedness dated  
March 1, 2004, due in annual installments,  
with semi-annual interest payments at 3.84%  
per annum through March 1, 2014, secured  
by the revenues of the proprietary fund. 119,159

**Total** \$ 300,209

**TOWN OF PEARL RIVER, LOUISIANA****Notes to Financial Statements**

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**Note 8. Long-Term Liabilities (Continued)**

The future debt service requirements of the revenue bonds and certificates are as follows:

	Revenue Bonds		Revenue Certificates		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 88,691	\$ 6,941	\$ 38,233	\$ 4,576	\$ 126,924	\$ 11,517
2013	92,359	3,537	39,701	3,108	132,060	6,645
2014	-	-	41,225	1,583	41,225	1,583
<b>Total</b>	<b>\$ 181,050</b>	<b>\$ 10,478</b>	<b>\$ 119,159</b>	<b>\$ 9,267</b>	<b>\$ 300,209</b>	<b>\$ 19,745</b>

**Note 9. Interfund Receivables/Payables**

Due from/to other funds at December 31, 2011, were as follows:

<b>Fund</b>	<b>Interfund Receivables</b>	<b>Interfund Payables</b>
General Fund	\$ 173,826	\$ 110,005
Special Revenue Fund		
Police	-	69,023
Street	281,097	420
Proprietary Fund	-	275,475
<b>Total</b>	<b>\$ 454,923</b>	<b>\$ 454,923</b>

The above due from/to other funds were short-term receivables or payables resulting from the normal course of the Town's operations.

## TOWN OF PEARL RIVER, LOUISIANA

### Notes to Financial Statements

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#### Note 10. Interfund Transfers

Operating transfers between funds occur in the normal course of business and were as follows during the year ended December 31, 2011:

	Transfers In:				Total
	General Fund	Street Fund	Police Fund	Proprietary Fund	
<b>Transfers Out:</b>					
General Fund	\$ -	\$ -	\$ 203,873	\$ -	\$ 203,873
Street Fund	35,112	-	471	-	35,583
Proprietary Fund	18,129	7,528	30,058	-	55,715
<b>Total</b>	<b>\$ 53,241</b>	<b>\$ 7,528</b>	<b>\$ 234,402</b>	<b>\$ -</b>	<b>\$ 295,171</b>

#### Note 11. Cash Flows Disclosure

During the year ended December 31, 2011, the Town's proprietary fund paid interest of \$16,212 which was expensed.

#### Note 12. Pension Plan

All full-time police department employees engaged in law enforcement who are not participating in another retirement system are required to participate in the Municipal Police Employees' Retirement System of Louisiana (the System). Employees who retire at or after age 50 with at least 20 years of creditable service or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3½% of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive joined months that produce the highest average. Employees who terminate with at least the amount of creditable service, and do not withdraw their employee contributions, may retire at the ages specified previously and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees' Retirement System of Louisiana, 7722 Office Park Boulevard, Baton Rouge, Louisiana 70809-7601, or by calling (225) 929-7411.



## **TOWN OF PEARL RIVER, LOUISIANA**

### **Notes to Financial Statements**

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#### **Note 12. Pension Plan (Continued)**

Members of the System are required by state statute to contribute 7.5% of their annual covered salary and the Town of Pearl River, Louisiana is required to contribute at an actuarially determined rate. The current rate is 26.50% of annual covered payroll. The contribution requirements of System members and the Town of Pearl River, Louisiana are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town of Pearl River, Louisiana's contributions to the System for the years ending December 31, 2011, 2010, and 2009, were \$13,973, \$15,131, and 10,428, respectively, equal to the required contributions for each year.

#### **Note 13. Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2011, the Town carried insurance through various commercial carriers to cover all risks of loss, except for the risk of loss of assets relating to certain vehicles and equipment. The Town has no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

**REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULES**

**TOWN OF PEARL RIVER, LOUISIANA**  
**Schedule of Revenues, Expenditures and**  
**Change in Fund Balance - Budget and**  
**Actual - General Fund**  
**For the Year Ended December 31, 2011**

**Schedule 1**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
<b>Revenues</b>				
Taxes				
Franchise	\$ 110,000	\$ 120,000	\$ 163,775	\$ 43,775
Ad Valorem Taxes	70,000	76,693	75,702	(991)
Fines and Forfeitures	350,000	173,720	330,202	156,482
Licenses and Permits	117,000	127,000	113,693	(13,307)
Insurance Licenses	120,000	110,000	120,350	10,350
Other Revenues	11,000	11,587	8,527	(3,060)
Interest Income	-	-	301	301
<b>Total Revenues</b>	<b>778,000</b>	<b>619,000</b>	<b>812,550</b>	<b>193,550</b>
<b>Expenditures</b>				
General Government				
Salaries	112,000	110,000	123,227	(13,227)
Beautification	45,000	15,000	15,634	(634)
Aldermen	54,000	48,000	48,500	(500)
Insurance	23,832	23,832	110,200	(86,368)
Professional Fees	47,200	46,000	52,604	(6,604)
Repairs and Maintenance	31,879	15,000	8,670	6,330
Veterans Memorial	10,000	3,000	900	2,100
Museum	5,000	5,000	2,018	2,982
Miscellaneous	153,720	52,299	39,433	12,866
Utilities	15,000	30,000	54,301	(24,301)
Office	29,000	28,000	26,976	1,024
Retirement	10,000	10,000	11,019	(1,019)
Animal Control	9,000	9,000	9,600	(600)
Health Insurance	160,000	123,000	15,895	107,105
Payroll Taxes	8,478	8,478	9,548	(1,070)
Vehicle	3,500	1,000	1,137	(137)
Workmen's Compensation	778	778	3,032	(2,254)
Dues and Convention	6,000	6,000	9,564	(3,564)
Council Clerk	3,600	3,600	3,600	-
Senior Citizen	3,600	3,600	383	3,217
Recreation	85,000	20,000	42,630	(22,630)
<b>Total Expenditures</b>	<b>816,587</b>	<b>561,587</b>	<b>588,871</b>	<b>(27,284)</b>
<b>Excess (Deficiency) of Revenues Over   Expenditures</b>	<b>(38,587)</b>	<b>57,413</b>	<b>223,679</b>	<b>166,266</b>
<b>Other Financing Uses</b>				
Operating Transfers Out	(61,413)	(57,413)	(150,632)	(93,219)
<b>Total Other Financing Uses</b>	<b>(61,413)</b>	<b>(57,413)</b>	<b>(150,632)</b>	<b>(93,219)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (100,000)</b>	<b>\$ -</b>	<b>73,047</b>	<b>\$ 73,047</b>
<b>Fund Balance, Beginning of Year</b>			<b>134,022</b>	
<b>Fund Balance, End of Year</b>			<b>\$ 207,069</b>	

**TOWN OF PEARL RIVER, LOUISIANA**  
**Schedule of Revenues, Expenditures and**  
**Change in Fund Balance - Budget and**  
**Actual - Police**  
**For the Year Ended December 31, 2011**

**Schedule 2**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
<b>Revenues</b>				
Sales Taxes	\$ 650,000	\$ 500,000	\$ 498,840	\$ (1,160)
Grants and Reimbursements	48,000	48,000	71,814	23,814
Interest Income	-	-	16	16
<b>Total Revenues</b>	<u>698,000</u>	<u>548,000</u>	<u>570,670</u>	<u>22,670</u>
<b>Expenditures</b>				
Public Safety				
Salaries	479,090	424,190	479,875	(55,685)
Health Insurance	-	-	68,231	(68,231)
Gas and Oil	70,000	63,000	52,193	10,807
Payroll Taxes	38,900	38,900	44,579	(5,679)
Repairs and Maintenance	16,000	16,000	14,945	1,055
Workmen's Compensation	31,003	31,003	28,815	2,188
Communications	18,000	10,900	19,608	(8,708)
Office	8,000	8,000	14,654	(6,654)
Insurance	27,120	25,120	-	25,120
Retirement	45,300	45,300	44,304	996
Miscellaneous	25,000	15,000	11,675	3,325
Training	6,000	6,000	9,518	(3,518)
Prisoner Meals	8,000	3,000	2,000	1,000
Court Expense	2,000	2,000	25	1,975
<b>Total Expenditures</b>	<u>774,413</u>	<u>688,413</u>	<u>790,422</u>	<u>(102,009)</u>
<b>Deficiency of Revenues Over Expenditures</b>	<u>(76,413)</u>	<u>(140,413)</u>	<u>(219,752)</u>	<u>(79,339)</u>
<b>Other Financing Sources</b>				
Operating Transfers In	61,413	105,413	234,402	128,989
<b>Total Other Financing Sources</b>	<u>61,413</u>	<u>105,413</u>	<u>234,402</u>	<u>128,989</u>
<b>Net Change in Fund Balance</b>	<u>\$ (15,000)</u>	<u>\$ (35,000)</u>	<u>14,650</u>	<u>\$ 49,650</u>
<b>Fund Balance, Beginning of Year</b>			<u>10,738</u>	
<b>Fund Balance, End of Year</b>			<u>\$ 25,388</u>	

**TOWN OF PEARL RIVER, LOUISIANA**  
**Schedule of Revenues, Expenditures and**  
**Change in Fund Balance - Budget and**  
**Actual - Street**  
**For the Year Ended December 31, 2011**

**Schedule 3**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
<b>Revenues</b>				
Taxes				
Sales Taxes	\$ 650,000	\$ 600,000	\$ 498,840	\$ (101,160)
Ad Valorem Taxes	40,000	40,000	49,819	9,819
Grants	426,550	6,550	148,962	142,412
Other Revenues	5,000	5,000	17,178	12,178
Interest Income	-	-	251	251
<b>Total Revenues</b>	<u>1,121,550</u>	<u>651,550</u>	<u>715,050</u>	<u>63,500</u>
<b>Expenditures</b>				
Public Works				
Salaries	330,510	330,510	257,988	72,522
Capital Outlay	774,301	214,301	-	214,301
Equipment Repairs and Maintenance	60,000	60,000	82,531	(22,531)
Street Lights	40,000	40,000	46,542	(6,542)
Insurance	10,000	10,000	36,328	(26,328)
Workmen's Compensation	36,120	36,120	31,333	4,787
Payroll Taxes	23,592	23,592	20,488	3,104
Gas and Oil	10,000	10,000	17,946	(7,946)
Retirement	15,027	15,027	12,725	2,302
Supplies	6,000	6,000	11,179	(5,179)
Miscellaneous	16,000	16,000	6,926	9,074
<b>Total Expenditures</b>	<u>1,321,550</u>	<u>761,550</u>	<u>523,986</u>	<u>237,564</u>
<b>(Deficiency) Excess of Revenues Over Expenditures</b>	<u>(200,000)</u>	<u>(110,000)</u>	<u>191,064</u>	<u>301,064</u>
<b>Other Financing Sources</b>				
Operating Transfers In	-	-	(28,055)	(28,055)
<b>Total Other Financing Sources</b>	<u>-</u>	<u>-</u>	<u>(28,055)</u>	<u>(28,055)</u>
<b>Net Change in Fund Balance</b>	<u>\$ (200,000)</u>	<u>\$ (110,000)</u>	<u>163,009</u>	<u>\$ 273,009</u>
<b>Fund Balance, Beginning of Year</b>			<u>426,387</u>	
<b>Fund Balance, End of Year</b>			<u>\$ 589,396</u>	

## **OTHER SUPPLEMENTAL INFORMATION**

**TOWN OF PEARL RIVER, LOUISIANA**  
**Proprietary Fund**  
**Schedule of Operating Expenses**  
**For the Year Ended December 31, 2011**

**Other Supplemental Information**  
**Schedule 4**

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**Administrative and General Expenses**

Salaries	\$ 26,149
Health Insurance	14,246
Payroll Taxes	8,245
Office Expense	6,858
Retirement	3,789
Workmen's Compensation	2,524
Education and Training	1,758
Bank and NSF Charges	455

**Total Administrative and General Expenses** \$ 64,024

**Sewer System Expenses**

Utilities	\$ 138,192
Chemicals	20,927
Repairs and Maintenance	20,053
Other	12,967
Lab Testing	6,603

**Total Sewer System Expenses** \$ 198,742

**Water System Expenses**

Salaries	\$ 75,021
Water Meters and Hydrants	12,540
Repairs and Maintenance	637

**Total Water System Expenses** \$ 88,198

**TOWN OF PEARL RIVER, LOUISIANA**  
**Schedule of Compensation Paid to the Members**  
**of the Board of Aldermen**  
**For the Year Ended December 31, 2010**

**Other Supplemental Information**  
**Schedule 5**

<b>Board of Aldermen</b>	<b>Term of Office</b>	<b>Compensation</b>
David McQueen P.O. Box 371 Pearl River, LA 70452 (985) 863-2176	December 31, 2014	\$ 9,600
Marie Crowe 35190 Highway 3081 Pearl River, LA 70452 (985) 863-9373	December 31, 2014	\$ 9,600
Kathryn Walsh 39208 Gum Street Pearl River, LA 70452 (985) 863-2254	December 31, 2014	\$ 9,600
Ruby Gauley 39107 McQueen Road Pearl River, LA 70452 (985) 863-7258	December 31, 2014	\$ 9,600
Ella Brakefield P.O. Box 1514 Pearl River, LA 70452 (985) 863-5438	December 31, 2014	\$ 9,600



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and Members  
of the Board of Aldermen  
Town of Pearl River, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Pearl River, Louisiana (the Town), as of and for the year ended December 31, 2011, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated June 18, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2011- 1 to be a material weakness.

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The McGladrey Alliance is a premier affiliation of independent accounting and consulting firms. The McGladrey Alliance member firms maintain their name, autonomy and independence and are responsible for their own client fee arrangements, delivery of services and maintenance of client relationships.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that is required to be reported under *Government Auditing Standards* and are described as items 2011 - 2 and 2011 - 3 in the accompanying schedule of findings and responses.

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Town's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the governing board and management of the Town of Pearl River, Louisiana, the Legislative Auditor of the State of Louisiana, and federal awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

June 18, 2012

**TOWN OF PEARL RIVER, LOUISIANA**  
**Schedule of Findings and Responses (Continued)**  
**For the Year Ended December 31, 2011**

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**2011 - 3   Public Bid Law and Disposal of Surplus Property**

<i>Criteria:</i>	Louisiana Revised Statutes provide for four ways to dispose of surplus movable property by a government: by public auction open to private persons (LRS. 49:125), at private sale with an appraised value of \$5,000 or less (LRS. 33:4712(F)), by internet sale (LRS 33:4711.1), or by sale to another public entity (LRS 33:1321).
<i>Condition:</i>	During our testing of capital assets, we noted a tractor was sold to a private party without utilizing one of the four authorized ways to dispose of surplus property.
<i>Cause:</i>	The cause of this condition appears to be a management oversight of the laws regarding the public bid process and disposal of surplus property.
<i>Effect:</i>	Non-compliance with laws regarding the public bid process and disposal of surplus property.
<i>Recommendation:</i>	We recommend the management of the Town review applicable state laws and ensure that future purchases and dispositions are transacted in compliance with said laws.
<i>Management's Response:</i>	Future transactions will be conducted in accordance with applicable state laws.

**TOWN OF PEARL RIVER, LOUISIANA**  
**Schedule of Prior Year Findings**  
**For the Year Ended December 31, 2011**

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**Schedule of Findings and Responses**

**2010 - 1 Financial Statement Preparation**

*Status:* This finding has not been resolved. See current year finding 2011 - 1 in the Schedule of Findings and Responses.

**2010 - 2 Budget Variance**

*Status:* This finding has not been resolved. See current year finding 2011 - 2 in the Schedule of Findings and Responses.